North Carolina Department of Health and Human Services
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Michael F. Easley, Governor Dempsey Benton, Secretary

August 18, 2008

Electronic Data Systems Corporation
Attention: Barbara Anderson, Vice President
5400 Legacy Drive
Plano, Texas 75024
Sent via email: **barbara.anderson@eds.com**

Subject: North Carolina Replacement MMIS Updated Terms and Conditions – Addendum 7

Dear Ms. Anderson:

The purpose of this letter is to provide you with changes to terms and conditions regarding payment methodologies under the Replacement MMIS Contract, as set forth in RFP 30-DHHS-1228-08-R. These changes have important impacts related to the Request for Cost Proposals.

To reflect updated pricing and payment methodologies, the following changes are made to Section 30 of the RFP:

Exhibit 1: Summary of Payment Methodologies has the following changes:

For Phase/Task "Provider Enrolling, Credentialing, and Verification," the Payment Methodology is replaced in its entirety by the following text:

> Charges shall be invoiced monthly on a per-provider serviced basis based on rates established in the Vendor's Cost Proposal.

For Phase/Task "Operations Phase: Operations and Maintenance," the Payment/Methodology is replaced in its entirety by the following text:

> Payment is the sum of the fixed price due to fixed costs and the variable price due to variable costs for the invoice period based on rates for a specific State Fiscal Year.

Add a Phase/Task, "Recipient Management," with the following Payment Methodology:

> Payment shall be invoiced monthly based on per capita per day fees set forth in the Vendor's Cost Proposal, each for recipients paying premiums for certain Title XIX and Title XXI benefit plans and for recipients in the same benefit plans who do not pay premiums.

Add a Phase/Task, "Retrospective Drug Utilization Review," with the following Payment Methodology:

> Payment shall be invoiced monthly based on fixed rates set forth in the Vendor's Cost Proposal, which shall be prorated for partial months.

Section 30.40.1.2 is replaced in its entirety by the following text:

> ***30.40.1.2 Payment for Provider Enrollment, Credentialing, and Verification; Payment for Certain Other Services prior to Operational Start Date***
> Throughout the duration of the Contract, the Vendor shall invoice the State monthly at the rates set forth in the Vendor's Cost Proposal for each provider enrollment, credentialing,

and verification activity completed by the Vendor during the immediately preceding month.

A new Section 30.4.1.3 is added:

30.40.1.3 Payment for Retrospective Drug Utilization Review Operations
Payment shall be invoiced monthly based on fixed rates set forth in the Vendor's Cost Proposal, which shall be prorated for partial months.

Section 30.40.2.2 is replaced in its entirety by the following text:

30.40.2.2 Payment Formula for Operations Phase
Payments for operations activities during the Operations Phase shall be separated into five areas:

- Payments for all fiscal agent operations activities other than those services identified in the four (4) bulletized items below
- Payments for provider enrollment, credentialing, and verification
- Payments for additional training classes above the minimum required in Section 40 of the RFP
- Payments for recipient management for certain benefit plans
- Payments for Retrospective Drug Utilization Review

30.40.2.2.1 Payment Formula for Fiscal Agent Operations
The payment for the Operations Phase CBUs shall be monthly unless otherwise approved by the State. The payment shall be the sum of the following:

- The daily price due to fixed costs (for the applicable State Fiscal Year) multiplied by the number of days of operations being invoiced.
- The variable price per CBU (expressed in dollars to six significant digits) at the average daily volume of Non-Pharmacy FCBUs and ECBUs (for the applicable State Fiscal Year) during the invoice period multiplied by the sum of the number of Non-Pharmacy FCBUs and ECBUs completed during the invoice period.
- The variable price per CBU (expressed in dollars to six significant digits) at the average daily volume of Pharmacy FCBUs (for the applicable State Fiscal Year) during the invoice period multiplied by the number of Pharmacy FCBUs completed during the invoice period.

If the fixed or variable price elements change during an invoice period due to the invoice period crossing a State Fiscal Year, a contract amendment that becomes effective during the invoice period, or other State-approved reason, the payment shall be calculated for each rate segment as though each were a separate invoice period and the results summed. For example, a 10-day segment with one rate structure and a 20-day segment with a different rate structure would be priced as though each were a separate invoice period, and then the two amounts would be added together to determine a single invoiced amount.

30.40.2.2.2 Payment Formula for Provider Enrollment, Credentialing, and Verification
Throughout the duration of the Contract, the Vendor shall invoice the State monthly at the rates set forth in the Vendor's Cost Proposal for each provider enrollment, credentialing, and verification activity completed by the Vendor during the immediately preceding month.

30.40.2.2.3 Payment Formula for Additional Training Classes
If the Contract Administrator requests, in writing, additional local training classes (as described in 40.1.2.81) or instructor-based training workshops at geographic areas across the State (as described in 40.1.2.86) beyond the minimum number of classes

required by either of those sections, payment shall be made for each class in accordance with the rates set forth in the Vendor's Cost Proposal.

30.40.2.2.4 Payment for Recipient Management for Certain Benefit Plans

The Vendor shall perform recipient management services for certain benefit plans, as set forth in this Contract. For those benefit plans, charges shall be invoiced monthly based on per capita, per day fees as set forth in the Vendor's Cost Proposal. As stated in the Vendor's Cost Proposal, these fees each may either remain constant regardless of the number of recipients being managed or may decrease as the number of recipients being managed increases.

The payment shall be calculated as the sum of the following:

- The per capita, per day fee for recipients paying premiums multiplied by the number of such recipients being managed for each day during a billing period, summed across the period
- The per capita, per day fee for recipients not paying premiums multiplied by the number of such recipients being managed for each day during a billing period, summed across the period

30.40.2.2.5 Payment for Retrospective Drug Utilization Review Operations

Payment shall be invoiced monthly based on fixed rates set forth in the Vendor's Cost Proposal, which shall be prorated for partial months.

Section 30.40.2.3 is replaced in its entirety by the following text:

30.40.2.3 Volume Adjustments

When the State solicits Cost Proposals in relation to this RFP, the Offeror's Cost Proposal shall specify certain thresholds for change in a given year's actual CBU volume which, if exceeded, shall give either Party the right to initiate a discussion regarding the possible re-negotiation of the operations and maintenance total fixed price. When asserting the need for a price change, the Vendor must demonstrate financial necessity and make any appropriate financial records available to the State. Any price change to which the State may agree must be in writing.

The definition of Total Price in Section 60.2 is replaced in its entirety by the following text:

Total Price: This includes proposed prices for all years of the contract, including the option year, for the Replacement, Operations, and Turnover Phases, including prices for DDI; CBUs; provider enrollment, credentialing, and verification; Retrospective Drug Utilization Review (RetroDUR); recipient management for programs identified in the requirements; the Operations Phase Modification Pool; and the estimated costs of all licenses procured by the State under the Enterprise License Agreements as directed in Section 10.5. The Total Price excludes rates and prices for the Replacement Phase Additional Functionality Pool, Offeror-proposed options, and Offeror-proposed exceptions, as these will be considered as part of the best value tradeoff process.

The following definitions are added to the Replacement MMIS Acronym and Glossary List:

Provider Enrollment – The generation, receipt and processing of enrollment applications, including participation contracts and supporting documentation.

Provider Credentialing – The process for validating the qualifications of licensed professionals, organizational members or organizations, assessing their background and legitimacy, and rendering a determination that a subject or entity meets the established qualifications, requirements and/or standards to provide a service or procedure. This

process includes criminal background checks, validation of licensure, certifications, accreditations, source verification, etc.

Provider Verification – The process for verifying a provider's licensure, education, and/or board certification information through source documentation as well as verifying the provider demographic information held in the MMIS provider file.

Questions concerning these changes should be addressed via the question and answer process for the Request for Cost Proposals. For the purpose of order of precedence, this letter constitutes an Addendum in accordance with RFP Section 30.3.

Thank you for your interest in the State of North Carolina.

Sincerely,

Susan W. Lewis
Assistant Director

Copy: David A. Womble, Jr., Director